

[REDACTED]

CERTIFIED MAIL

[REDACTED]

NOV 12 1992

Dear Applicant:

We have considered your application for recognition of exemption from federal income tax under section 501(c)(7) of the Internal Revenue Code and have determined that you do not qualify for tax exemption under that section. Our reasons for this conclusion and the facts on which it is based are explained below.

The information submitted indicates that you were formed as an unincorporated association under [REDACTED] law on [REDACTED]. The purposes for which you were formed are "... business networking and interaction."

The activities of your organization consist of business networking between management of [REDACTED] businesses in a relaxed, informal atmosphere over dinner. The association meets approximately [REDACTED] times per year for approximately [REDACTED] hours per meeting. Each dinner meeting begins with a social hour, followed by dinner. The social hour is normally in a large open area without tables to allow movement between members, while dinner is at large tables without seating assignments. Both of which maximize exposure of members to one another for potential networking. There is no business speaker or formal agenda for your dinners. Each dinner is informal and strictly a social gathering of local business management.

Information submitted with your application states that your main activity is networking between local business people in the community in order to support and promote local business. One-hundred percent (100%) of every meeting is designed for maximum interaction between members.

Your membership consists of any individual who is at least twenty-one (21) years old and is nominated by a club member (followed by board approval). Your membership is limited to two (2) persons from any one organization, exclusive of members of the Board of Directors. Each member shall be entitled to one (1) vote on each matter submitted for voting by the members. Each member is required to be at the management level of any business in the local area.

Your income is derived from annual membership dues, and dinner fees of members and guests.

[REDACTED]

Your expenses include restaurant expenses, postage, bank charges, printing and Board of Directors meeting expenses. It is the Association's goal that dues plus dinner fees equal expenses.

Section 501(c)(7) of the Internal Revenue Code exempts from federal income tax clubs organized for pleasure, recreation, and other nonprofitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder.

Section 1.501(c)(7)-1(a) of the Income Tax Regulations states that the exemption provided by section 501(a) for organizations described in section 501(c)(7) applies only to clubs which are organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, but does not apply to any club if any part of its net earnings inures to the benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues, and assessments. However, a club otherwise entitled to exemption will not be disqualified because it raises revenue from members through the use of club facilities or in connection with club activities.

Revenue Ruling 69-527, 1969-2 C.B. 125, holds that a social club formed to assist its members in their business endeavors through study and discussion of problems and other activities at weekly luncheon meetings, does not qualify for exemption under section 501(c)(7) of the Code. The organization was formed and has been operated to study and discuss business and financial problems; to interchange among its membership, business and financial information, in order to create and encourage efficiency in business and finance; to assist its members in the expansion and development of their individual trades, businesses, and professions by encouraging the direct interchange of patronage among members; and to assist its members in extending and establishing new trade, business, and professional contacts. Membership is limited to one member from any particular trade or profession.

Your organization is similar to that of Revenue Ruling 69-527 in that your main purpose is to support and promote local business through interchange among your members. Your main activity of networking between local business people in the community assists your members in their individual trades, businesses and professions by encouraging the direct interchange of patronage among members at your social hour which is held immediately before your dinner meetings. Your membership is limited to two persons from anyone organization.

[REDACTED]

Your organization has not shown that your members are bound together by a common objective directed toward other nonprofitable purposes similar to pleasure and recreation.

Based on the information submitted, your association is organized and operated primarily to aid your members in their individual business endeavors. Any social activities at the dinner meetings are merely incidental to the business activities (networking) of the association.

Accordingly, you are not qualified for exemption from federal income tax as an organization described in section 501(c)(7) of the Internal Revenue Code.

Until you have established an exempt status, you are not relieved of the requirements for filing federal income tax returns.

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional office or, if you request, at any mutually convenient District office. If we do not hear from you within 30 days of the date of this letter, this determination will become final.

Sincerely yours,

[REDACTED]
District Director

Enclosure: Publication 892